

### *Presses for Higher Exemption, Keep Pace with Inflation*

**WASHINGTON** - U.S. Rep. Harry Mitchell today voted against a Democratic proposal that would establish a permanent estate tax, with an exemption that does not keep pace with inflation, and which could negatively impact more Arizonans each year. H.R. 4154, The Permanent Estate Tax Relief for Families, Farmers, and Small Businesses Act of 2009, passed by a vote of 225 to 200 despite Mitchell's opposition.

"The exemption in this bill is too low," said Mitchell. "I believe we should work to reduce its corrosive impact and ensure that it does not become an increased burden on the middle class or negatively impact job creation now or in the future. Additionally, more families and small businesses will be penalized year after year as the exemption continues to lose its value because it is not indexed for inflation. We need to make the tax code fairer and more predictable. This bill creates a patch and more uncertainty rather than providing for a permanent fix."

H.R. 4154 would apply a rate of 45 percent and lock in the exemption on estates at \$3.5 million and would not be indexed for inflation. Without an index, the exemption will lose its value over time and impact more Arizona families, ranchers, farmers and small businesses.

Congress temporarily reduced the estate tax with the Bush tax cuts in 2001. The tax is scheduled to be eliminated entirely in 2010 and return at the maximum rate of 55 percent in 2011, applying to all estates above \$1 million per individual. The 2009 rate is currently 45 percent for all estates above \$3.5 million.

In January, Mitchell, along with Rep. Mark Kirk (R-IL), introduced a bipartisan bill, H.R. 498, the Capital Gains and Estate Tax Relief Act of 2009, to make recent cuts to capital gains and estate taxes permanent. The Mitchell-Kirk bill establishes a \$5 million exemption by 2015 and indexes it for inflation beyond that. It also eliminates the flat 55 percent tax rate and creates two lower estate tax rate brackets: 15 percent for estates valued below \$25 million, and 30

percent for estates valued above \$25 million.

In addition to permanently extending the cut to the estate tax, it also permanently reduces the capital gains tax to 15 percent. In 2003, Congress temporarily cut the capital gains rate from 20 percent to 15 percent. The temporary cut is scheduled to expire in 2011.

Mitchell introduced similar bill to extend cuts to capital gains and estate taxes with Rep. Chris Shays (R-CT) in 110<sup>th</sup> Congress. He also requested that the Fiscal Year (FY) 2010 Budget, the Troubled Asset Relief Program (TARP) and the American Recovery and Reinvestment Act include capital gains and estate tax cut extensions.

"These cuts affect the middle class, small businesses owners, stock holders, and home owners. They encourage investment as well as make our tax code more fair and predictable. Given the unique economic difficulties we face as a nation, we need to retain tax cuts that will encourage the kind of investment that stimulates growth and job creation," Mitchell said.